

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Copemish	County Manistee
Fiscal Year End February 28, 2006	Opinion Date September 8, 2006	Date Audit Report Submitted to State October 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number (231) 941-7600	
Street Address 862 E. Eighth St.		City Traverse City	State MI
Zip 49686			
Authorizing CPA Signature 	Printed Name Jerry L Stephan, CPA	License Number 1101010359	

**Village of Copemish**  
*Manistee County, Michigan*

*Audited Financial Statements*

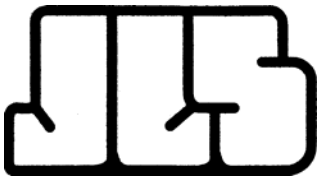
*February 28, 2006*

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FINANCIAL SECTION



# J L Stephan Co PC

## Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA  
David Skibowski, Jr., CPA  
Christopher H. Cornell, CPA

### INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Copemish  
Copemish, MI 49625

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Copemish as of and for the year ended February 28, 2006 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village as of February 28, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 18-20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Beulah. The combining non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Stephan Co. P.C.*

September 8, 2006

**Village of Copemish***Exhibit A**Government Wide  
Statement of Net Assets  
February 28, 2006*

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	<i>Governmental Activities</i>
<b>Assets</b>	
Cash and Cash Equivalents	
Unrestricted	\$ 32,696
Restricted	722
Receivables	
Taxes & Fees	-
Due From State	10,705
Due from Other Funds	3,507
Capital Assets	90,240
	<hr/>
<i>Total Assets</i>	<i>137,870</i>
	<hr/>
<b>Liabilities</b>	
Accounts Payable	-
Accrued and Other Liabilities	190
Due to Other Funds	3,507
Deferred Revenue	-
Non-Current Liabilities	
Due within one year	4,840
Due within more than one year	6,806
	<hr/>
<i>Total Liabilities</i>	<i>15,343</i>
	<hr/>
<b>Net Assets</b>	
Invested in Capital Assets - net of related debt	78,594
Restricted	
Debt Service	722
Unrestricted	43,211
	<hr/>
<i>Total Net Assets</i>	<i>\$ 122,527</i>
	<hr/>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Copemish**  
*Government Wide*  
*Statement of Activities*  
*For the Year Ended March 31, 2005*

*Exhibit B*

<i>Functions/Programs</i>	<i>Expenses</i>	<u>Program Revenues</u>			<i>Primary</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Capital</i>	<i>Governmental</i>
		<i>Services</i>	<i>Grants and</i>	<i>Grants and</i>	<i>Activities</i>
			<i>Contributions</i>	<i>Contributions</i>	
<i>Primary Government</i>					
General Government	\$ 87,303	\$ -	\$ -	\$ -	\$ (87,303)
Public Works	11,509	6,734	37,886	-	33,111
Community and Economic Dev.	15	15	-	-	-
Recreation and Culture	7,254	-	-	-	(7,254)
Other Functions	3,916	-	-	-	(3,916)
Debt Service	531	-	-	-	(531)
Depreciation - unallocated	6,240	-	-	-	(6,240)
<i>Total Governmental Activities</i>	<u>116,768</u>	<u>6,749</u>	<u>37,886</u>	<u>-</u>	<u>(72,133)</u>
<i>Total Primary Government</i>	<u>\$ 116,768</u>	<u>\$ 6,749</u>	<u>\$ 37,886</u>	<u>\$ -</u>	<u>(72,133)</u>
<i>General Revenues</i>					
					46,062
					24,653
					201
					-
					7,345
					2,911
<i>Special Items</i>					
					8,252
					-
<i>Total General Revenues and Special Items</i>					<u>89,424</u>
<i>Change in Net Assets</i>					17,291
					105,236
					<u>\$ 122,527</u>

*The Notes to Financial Statements are an integral part of this statement*

# Village of Copemish

Exhibit C

## Governmental Funds

### Balance Sheet

February 28, 2006

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Road Improvement Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total</i>
<b>Assets</b>						
Cash	\$ 22,450	\$ 2,059	\$ 455	\$ 8,263	\$ 191	\$ 33,418
Taxes & Fees Receivable	-	-	-	-	-	-
Due From State	3,870	4,772	2,063	-	-	10,705
Due from Other Funds	3,087	105	315	-	-	3,507
<i>Total Assets</i>	<u>29,407</u>	<u>6,936</u>	<u>2,833</u>	<u>8,263</u>	<u>191</u>	<u>47,630</u>
<b>Liabilities</b>						
Payroll Liabilities	190	-	-	-	-	190
Due to Other Funds	420	1,630	1,457	-	-	3,507
Deferred Revenue	-	-	-	-	-	-
<i>Total Liabilities</i>	<u>610</u>	<u>1,630</u>	<u>1,457</u>	<u>-</u>	<u>-</u>	<u>3,697</u>
<b>Fund Balances</b>						
Reserved	722	-	-	-	-	722
Undesignated	28,075	5,306	1,376	8,263	191	43,211
<i>Total Fund Balances</i>	<u>\$ 28,797</u>	<u>\$ 5,306</u>	<u>\$ 1,376</u>	<u>\$ 8,263</u>	<u>\$ 191</u>	<u>43,933</u>

The Notes to Financial Statements are an integral part of this statement



**Village of Copemish**  
*Reconciliation of the Balance Sheet  
to the Statement of Net Assets  
February 28, 2006*

*Exhibit D*

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Fund Balance - Total Governmental Funds (Exhibit C)	\$ 43,933
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*Amounts reported for governmental activities in the statement of net assets  
are different because:*

General Governmental Capital Assets of \$182,326 net of accumulated depreciation of (\$92,086) are not financial resources and not reported in the funds.	90,240
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Some Liabilities, including Notes Payable, are not due and payable in the current period and therefore are not reported in the fund.	<u>(11,646)</u>
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Net Assets of Governmental Activities	<u><u>\$ 122,527</u></u>
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**Village of Copemish**  
**Governmental Fund**  
**Statement of Revenue, Expenditures**  
**and Changes on Fund Balance**  
**For the Year Ended February 28, 2006**

*Exhibit E*

	<i>General Fund</i>	<i>Major Streets Fund</i>	<i>Local Streets Fund</i>	<i>Road Improvement Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>						
Property Taxes	\$ 44,110	\$ 488	\$ 1,464	\$ -	\$ -	\$ 46,062
Licenses & Permits	15	-	-	-	-	15
State Grants	24,653	26,451	11,435	-	-	62,539
Charges for Services	6,734	-	-	-	-	6,734
Interest Earned	126	31	33	11	-	201
Refunds & Reimbursements	36,356	-	-	-	-	36,356
Contributions	-	-	-	-	7,345	7,345
Sales	-	-	-	8,252	-	8,252
Miscellaneous Income	2,789	122	-	-	-	2,911
<i>Total Revenues</i>	<u>114,783</u>	<u>27,092</u>	<u>12,932</u>	<u>8,263</u>	<u>7,345</u>	<u>170,415</u>
<i>Expenditures</i>						
General Government	86,971	-	-	-	-	86,971
Public Works	9,356	24,218	13,519	-	-	47,093
Community and Economic Dev.	15	-	-	-	-	15
Recreation and Culture	-	-	-	-	7,254	7,254
Other Functions	6,955	434	11,320	-	-	18,709
<i>Total Expenditures</i>	<u>103,297</u>	<u>24,652</u>	<u>24,839</u>	<u>-</u>	<u>7,254</u>	<u>160,042</u>
<i>Excess Revenues Over (Under) Expenditures</i>	<u>11,486</u>	<u>2,440</u>	<u>(11,907)</u>	<u>8,263</u>	<u>91</u>	<u>10,373</u>
<i>Other Financing Sources (Uses)</i>						
Operating Transfers In	-	-	8,200	-	100	8,300
Operating Transfers (Out)	(7,694)	(606)	-	-	-	(8,300)
<i>Total Other Financing Sources (Uses)</i>	<u>(7,694)</u>	<u>(606)</u>	<u>8,200</u>	<u>-</u>	<u>100</u>	<u>-</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>						
 <i>Expenditures and Other Uses</i>	 3,792	 1,834	 (3,707)	 8,263	 191	 10,373
Fund Balance - Beginning	25,005	3,472	5,083	-	-	33,560
Fund Balance - Ending	<u>\$ 28,797</u>	<u>\$ 5,306</u>	<u>\$ 1,376</u>	<u>\$ 8,263</u>	<u>\$ 191</u>	<u>\$ 43,933</u>

*The Notes to Financial Statements are an integral part of this statement*

## Village of Copemish

Exhibit F

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended February 28, 2006*

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Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ 10,373
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$-) is exceeded by depreciation (\$7,344) in the current period.	(7,344)
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Repayments of debt principal is an expenditure in governmental funds, but not in the statement of activities where it reduce long-term debt	<u>14,262</u>
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<i>Change in net assets of governmental activities (Exhibit B)</i>	<u><u>\$ 17,291</u></u>
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# Village of Copemish

Exhibit G

## *Fiduciary Fund Statement of Net Assets February 28, 2006*

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	<i>Copemish Heritage Days</i>
<b>Assets</b>	
Cash	\$ 176
Due From Other Funds	-
	<hr/>
<i>Total Assets</i>	<hr/> 176
<b>Liabilities</b>	
Due to other Funds	-
	<hr/>
<i>Total Liabilities</i>	<hr/> -
<b>Net Assets</b>	
Held for Festival	<hr/> \$ 176

*The Notes to Financial Statements are an integral part of this statement*

**Village of Copemish**  
*Fiduciary Fund*  
*Statement of Changes in Net Assets*  
*For the Year Ended February 28, 2006*

*Exhibit H*

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	<i>Copemish Heritage Days</i>
<i>Additions</i>	
Show Fees	\$ 1,169
Book Sales	280
Contributions	<u>592</u>
<i>Total Additions</i>	<u>2,041</u>
 <i>Deductions</i>	
Supplies & Postage	1,099
Printing & Publishing	<u>1,287</u>
<i>Total Deductions</i>	<u>2,386</u>
 <i>Change in Net Assets</i>	 (345)
 Net Assets - Beginning of Year	 <u>521</u>
 Net Assets - End of Year	 <u><u>\$ 176</u></u>

*The Notes to Financial Statements are an integral part of this statement*

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Copemish have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Effective March 1, 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the Village.
- Financial statements using the accrual basis of accounting for all the Village's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

**A. Reporting Entity**

Village of Copemish is a Common Law Village as defined by the laws of the State of Michigan. An elected Mayor and Village Council govern the Village. The current State Taxable Valuation is \$2,989,156.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

**B. Government –Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village collects property taxes between July 1 and September 1. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue for all Governmental Fund Types on the Village's balance sheet, as these amounts are not normally received within sixty days of year end, and are therefore not available to finance current operations. Additionally, state-share revenues associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The local unit reports the following major governmental funds:

*General Fund* - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

*Special Revenue Funds* - These funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds currently maintained by the Village are Major Streets Fund and Local Streets Fund

*Capital Projects Fund* – Capital Project Funds are used to account for the acquisition or construction of major capital facilities by governmental units that are not accounted for by proprietary funds and trust funds.

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Additionally, the government reports the following fund types:

*Special Revenue Funds* - These funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. A Special Revenue Fund currently maintained by the Village is the Park Improvement Fund. It is considered a non-major governmental fund.

*Trust and Agency Funds* - Trust and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Copemish Heritage Days Fund belongs to this fund type.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government's water function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities, and Net Assets or Equity**

*Bank Deposits and Investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Restricted Assets* – The Village received a private contribution in a prior year to assist with the payment of debt associated with the purchase of park land. The remaining balance of the contribution is classified as restricted assets.

*Capital Assets* – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Village officials reviewed its inventory during the current year and in some cases, original costs were estimated. Consequently, beginning balances may differ from prior years.



**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives. A half year of depreciation is taken in the year of acquisition.*

• Computers & Office Equipment	5 years
• Furniture & Fixtures	7 years
• Equipment & Tools	7-10 years
• Land Improvements	20 years
• Roads and Paving	20 years
• Buildings & Improvements	30 years
• Motor Vehicles & Equipment	5-20 years

*Long-Term Obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

*Fund Equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The General fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis and used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity level as the budget was adopted.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued**

**B. Budget Compliance**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the current year, the Village incurred expenditures in excess of the amount appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Village Council	\$ 1,900	\$ 1,903	\$ (3)
General Fund: President	5,520	5,619	(99)
General Fund: Clerk	6,050	6,063	(13)
General Fund: Treasurer	5,600	5,648	(48)
General Fund: Debt Service	-	3,039	(3,039)
General Fund: Transfer Out	-	7,694	(7,694)
Local Streets Fund	14,000	24,839	(10,839)

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Michigan Compiled Laws, Section 129.91**

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated four banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

The Local Governmental Unit's deposits and investment policy are in accordance with the statutory authority.

**B. Types of Deposits and Investments**

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Equivalents	\$ 32,696	\$ 176	\$ 32,872
Restricted Assets	<u>722</u>	<u>-</u>	<u>722</u>
Total Deposits	<u>\$ 33,418</u>	<u>\$ 176</u>	<u>\$ 33,594</u>

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS - continued**

The bank balance of the primary government's deposits is \$33,594, all of which is covered by federal depository insurance.

**NOTE 4 - SUMMARY OF CAPITAL ASSETS**

Capital asset activity of the primary government for the current year is summarized as follows:

*Governmental Activities*

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Deletions</i></u>	<u><i>Ending Balance</i></u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 57,500	\$ -	\$ -	\$ 57,500
<i>Capital Assets Being Depreciated</i>				
Buildings & Improvements	26,000	-	-	26,000
Computers & Office Equip.	2,678	-	-	2,678
Furniture & Fixtures	675	-	-	675
Equipment & Tools	25,150	-	-	25,150
Vehicles	54,883	-	-	54,883
Paving - Streets	<u>15,440</u>	<u>-</u>	<u>-</u>	<u>15,440</u>
	<u>124,826</u>	<u>-</u>	<u>-</u>	<u>124,826</u>
<i>Accumulated Depreciation</i>				
Buildings & Improvements	(26,000)	-	-	(26,000)
Computers & Office Equip.	(1,853)	(236)	-	(2,089)
Furniture & Fixtures	(145)	(96)	-	(241)
Equipment & Tools	(25,150)	-	-	(25,150)
Vehicles	(31,208)	(6,240)	-	(37,448)
Paving - Streets	<u>(386)</u>	<u>(772)</u>	<u>-</u>	<u>(1,158)</u>
	<u>(84,742)</u>	<u>(7,344)</u>	<u>-</u>	<u>(92,086)</u>
<i>Net Capital Assets being Depreciated</i>	<u>40,084</u>	<u>(7,344)</u>	<u>-</u>	<u>32,740</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 97,584</u>	<u>\$ (7,344)</u>	<u>\$ -</u>	<u>\$ 90,240</u>

**Village of Copemish**  
*Notes to Financial Statements*  
February 28, 2006

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**NOTE 4 - SUMMARY OF CAPITAL ASSETS - continued**

Depreciation expense in the current year was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 332
Public Works	772
Unallocated	<u>6,240</u>
Total Governmental Activities	<u>\$ 7,344</u>

**NOTE 5 – LONG-TERM DEBT**

The following is a summary of debt transactions of the Village for the year ended February 28, 2006:

		<i>Manistee County Road Commission</i>
	<u>Park Land</u>	<u>Commission</u>
Beginning Balance	\$ 11,536	\$ 14,372
New Borrowing	-	-
Principle Payments	<u>2,508</u>	<u>11,754</u>
Ending Balance	<u>\$ 9,028</u>	<u>\$ 2,618</u>

A. Notes Payable

On August 27, 2004, the Village entered into an installment loan agreement with Honor State Bank for the purchase of land in the amount of \$12,500. The note requires 60 monthly payments of \$233.79 including interest beginning September 1, 2004. The interest rate is fixed at 4.75% per year.

Future payments under the installment loan for fiscal year ending March 31:

<u>Year</u>	<u>Park Land</u>
2007	\$ 2,805
2008	2,805
2009	2,805
2010	<u>1,401</u>
Total Payments	9,816
Less: Interest	<u>788</u>
	<u>\$ 9,028</u>

B. Road Commission Payable

In fiscal year 2005, the Village contracted with the Manistee County Road Commission to install a snowmobile crossing and pave local streets. The road commission agreed to allow the Village to make installment payments with no interest if paid in full by mid 2006. The Village made final payment to the road commission in July 2006.

**Village of Copemish**  
*Notes to Financial Statements*  
*February 28, 2006*

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**NOTE 5 – LONG-TERM DEBT - continued**

Future payments under the installment agreement for fiscal year ending March 31:

	<i>Manistee</i>
	<i>County Road</i>
<u>Year</u>	<u>Commission</u>
2007	\$ 2,618

**NOTE 6 – RESERVED FUND BALANCE & RESTRICTED NET ASSETS**

In September 2004, the Village received a \$5,000 donation from the Cleon/Copemish Historical Society for the purpose of offsetting the purchase of and debt payments for parkland property. The Village established a separate bank account for the donated funds and used the funds for debt payments on the property. At year-end of the current year, the balance of funds remaining was \$772 and is considered reserved fund balance and restricted net assets identified on the Village's financial statements.

**NOTE 7 – RISK MANAGEMENT**

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. The Village also carries worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

**Village of Copemish**  
*Budgetary Comparison Schedule*  
*General Fund*  
For the Year Ended February 28, 2006

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 25,005	\$ 25,005	\$ 25,005	\$ -
<i>Resources (Inflows)</i>				
Property Taxes	35,279	35,279	44,110	8,831
Land Use Permits	-	-	15	15
State Shared Revenue	23,500	23,500	22,783	(717)
Metro Act	-	-	1,870	1,870
Refuse	5,500	5,500	6,734	1,234
Earned Interest	125	125	126	1
Wage & Rental Reimbursements	35,000	35,000	36,356	1,356
Other Revenues	7,100	7,100	2,789	(4,311)
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<i>131,509</i>	<i>131,509</i>	<i>139,788</i>	<i>8,279</i>
<i>Charges to Appropriations (Outflows)</i>				
<i>General Government</i>				
Village Council	1,900	1,900	1,903	(3)
President	5,520	5,520	5,619	(99)
Elections	300	300	-	300
Clerk	6,050	6,050	6,063	(13)
Treasurer	5,600	5,600	5,648	(48)
Hall & Grounds	70,045	70,045	67,738	2,307
<i>Public Works</i>				
Sanitation	3,900	3,900	3,127	773
Street Lights	6,300	6,300	6,229	71
<i>Community &amp; Economic Development</i>				
Zoning	75	75	15	60
<i>Other Expenditures</i>				
Attorney	2,000	2,000	674	1,326
Debt Service	-	-	3,039	(3,039)
Health Insurance	3,250	3,250	3,242	8
Contingencies	1,500	1,500	-	1,500
Transfers to Other Funds	-	-	7,694	(7,694)
<i>Total Charges to Appropriations</i>	<i>106,440</i>	<i>106,440</i>	<i>110,991</i>	<i>(4,551)</i>
<b>Budgetary Fund Balance</b>	<b>\$ 25,069</b>	<b>\$ 25,069</b>	<b>\$ 28,797</b>	<b>\$ 3,728</b>

Notes to Financial Statements are an integral part of this statement

**Village of Copemish**  
*Budgetary Comparison Schedule*  
*Major Streets Fund*  
For the Year Ended February 28, 2006

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 3,472	\$ 3,472	\$ 3,472	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	390	390	488	98
State Revenue - Act 51	32,000	32,000	26,451	(5,549)
Earned Interest	25	25	31	6
Miscellaneous	-	-	122	122
Transfer from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	<u>35,887</u>	<u>35,887</u>	<u>30,564</u>	<u>(5,323)</u>
<i>Charges to Appropriations (Outflows)</i>				
Equipment Rent & Wage	28,000	28,000	23,185	4,815
Contractual Services	1,000	1,000	-	1,000
Supplies	750	750	1,025	(275)
Miscellaneous	300	300	8	292
Capital Outlay	-	-	-	-
Other Expenditures				
Debt Service	-	-	434	(434)
Transfers to Other Funds	-	-	606	(606)
<i>Total Charges to Appropriations</i>	<u>30,050</u>	<u>30,050</u>	<u>25,258</u>	<u>4,792</u>
Budgetary Fund Balance	<u>\$ 5,837</u>	<u>\$ 5,837</u>	<u>\$ 5,306</u>	<u>\$ (531)</u>

The Notes to Financial Statements are an integral part of this statement



**Village of Copemish**  
*Budgetary Comparison Schedule*  
*Local Streets Fund*  
For the Year Ended February 28, 2006

Schedule 3

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 5,083	\$ 5,083	\$ 5,083	\$ -
<i>Resources (Inflows)</i>				
Current Property Taxes	1,171	1,171	1,464	293
State Revenue - Act 51	14,000	14,000	11,435	(2,565)
Earned Interest	25	25	33	8
Miscellaneous	-	-	-	-
Transfer from Other Funds	-	-	8,200	8,200
<i>Total Available for Appropriation</i>	<u>20,279</u>	<u>20,279</u>	<u>26,215</u>	<u>5,936</u>
<i>Charges to Appropriations (Outflows)</i>				
Equipment Rent & Wage	12,200	12,200	13,171	(971)
Contractual Services	1,000	1,000	-	1,000
Supplies	500	500	342	158
Miscellaneous	300	300	6	294
Capital Outlay	-	-	-	-
Other Expenditures				
Debt Service	-	-	11,320	(11,320)
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	<u>14,000</u>	<u>14,000</u>	<u>24,839</u>	<u>(10,839)</u>
Budgetary Fund Balance	<u>\$ 6,279</u>	<u>\$ 6,279</u>	<u>\$ 1,376</u>	<u>\$ (4,903)</u>

The Notes to Financial Statements are an integral part of this statement

ADDITIONAL INFORMATION

**Village of Copemish**  
Combining Balance Sheet  
Non-Major Governmental Funds  
February 28, 2006

	<i>Park Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
<b>Assets</b>		
Cash	\$ 191	\$ 191
Taxes Receivable	-	-
Due from Other Funds	-	-
	<hr/>	<hr/>
<i>Total Assets</i>	<u><u>\$ 191</u></u>	<u><u>\$ 191</u></u>
 <b>Liabilities and Fund Equity</b>		
Accounts Payable	\$ -	\$ -
Deferred Revenue	-	-
Due to Other Funds	-	-
Fund Balance	<hr/> 191	<hr/> 191
	<hr/>	<hr/>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 191</u></u>	<u><u>\$ 191</u></u>

*The Notes to Financial Statements are an integral part of this statement*

# Village of Copemish

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended February 28, 2006

	<i>Park Improvement Fund</i>	<i>Total Non-Major Governmental Funds</i>
<i>Revenues</i>		
Taxes and Penalties	\$ -	\$ -
Charges for Services	-	-
Interest and Rentals	-	-
Grants	7,211	7,211
Contributions	134	134
Other Revenue	-	-
	<hr/>	<hr/>
<i>Total Revenues</i>	7,345	7,345
<i>Expenditures</i>		
Recreation & Culture	7,254	7,254
Other	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	7,254	7,254
	<hr/>	<hr/>
<i>Excess Revenues (Expenditures)</i>	91	91
<i>Other Financing Sources and (Uses)</i>		
Operating Transfers In	100	100
Operating Transfers (Out)	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources and Uses</i>	100	100
	<hr/>	<hr/>
<i>Excess Revenues (Expenditures) and Other Sources (Uses)</i>	191	191
Fund Balance - Beginning Or Year	-	-
	<hr/>	<hr/>
Fund Balance - End of Year	<u>\$ 191</u>	<u>\$ 191</u>

*The Notes to Financial Statements are an integral part of this statement*

OTHER INFORMATION (UNAUDITED)

## **Village of Copemish**

### *Comments & Recommendations*

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In planning and performing our audit of the financial statements of The Village of Copemish as of and for the year ended February 28, 2006, we studied and evaluated the Village's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, our study was more limited than would be necessary to express an opinion on the system of internal control taken as a whole. Accordingly, we do not express an opinion on the system of internal control of the Village taken as a whole.

We noted certain matters involving the internal control structure and its operation that we consider being reportable conditions under standards established by the AICPA. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment could adversely affect the unit's ability to record, process, summarize, and report data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted the following reportable conditions that we believe to be material weaknesses.

#### *Receipt and Disbursement Journals*

The receipt and disbursement journals had missing or incorrectly posted items causing them to be out of balance. Although monthly columns were totaled, some columns totals did not foot or cross-foot to total receipts or expenditures. Consequently year-end operating reports did not reconcile with the general ledger and all funds were out of balance. We spent significant additional time summarizing and analyzing revenue and expenditure totals. This is a similar comment from prior years.

#### *Operating Reports*

The year-end operating reports were incomplete and incorrectly stated balances for several line items. In addition, the net receipts and disbursements did not reconcile with beginning and ending cash balances. We recommend monthly operating reports be prepared to show actual and budgeted revenues and expenditures for each fund. These reports should also reconcile beginning and ending cash and fund balances. We recommend the Clerk and Treasurer compare receipts, disbursements and cash balances on a monthly basis to ensure agreement. This is a similar comment from prior years.

## **Village of Copemish**

### *Comments & Recommendations*

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The following are reportable conditions that are not believed to be material weaknesses.

#### *Payroll Reports*

Forms 941 filed with the Internal Revenue Service and Forms W2 and W3 filed with the Social Security Administration for the 2004 and 2005 calendar years were found to be prepared incorrectly. The Board approved a deferred compensation retirement plan for the maintenance employee, and, subsequently, all payroll reports since the adoption of that plan were prepared incorrectly. While the individual paychecks for the employee were prepared correctly, the reporting to the IRS was incorrect and, subsequently, taxes to the Internal Revenue Service were overpaid. The reports have been corrected with both the Internal Revenue Service and Social Security Administration, and the clerk has been trained on the proper preparation of payroll reports involving the deferred compensation plan. We feel the aggregate total of the overpayment of taxes is immaterial with respect to the financial statements taken as a whole.

#### *Receipts*

We reviewed the pre-numbered receipt books and noted some duplicate receipts and many that were incorrectly completed. Receipts should, at a minimum, note the date, amount, name of remitter, purpose of the remittance and signature of the acceptor. Additionally, they should be coded to the correct fund and account. Below is the Treasury website link for the State's Uniform Accounting Procedures Manual. We recommend reviewing it and implementing proper accounting procedures as described in the manual.

[http://www.michigan.gov/treasury/0,1607,7-121-1751\\_2194-5990--,00.html](http://www.michigan.gov/treasury/0,1607,7-121-1751_2194-5990--,00.html)

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations that we do not consider to be reportable conditions.

#### *Tax Disbursements*

It appears the General Fund did not disburse all 2005 winter tax amounts due to the Major and Local Streets Funds. The amounts due to the Major Streets Fund and Local Streets Fund are \$105.09 and \$315.25 respectively and should be disbursed as soon as possible.

#### *Budgeting*

The Budget Hearing on February 14, 2005 noted discussion of tax revenues and mills to be assessed. However, there is no statement of other budgeted revenues and expenditures for the general fund or other funds. The regular board minutes did not note whether a budget was reviewed or adopted and there was no copy of the budget attached to the board minutes or a separate signed, officially adopted budget. State law requires proper documentation for all budget amounts and amendments. Below is the Treasury website link for the State's Uniform Budgeting Manual. We recommend reviewing it and implementing proper budgeting procedures as described in the manual.

[http://www.michigan.gov/documents/UniformBudgetManual\\_16634\\_7.pdf](http://www.michigan.gov/documents/UniformBudgetManual_16634_7.pdf)

## **Village of Copemish**

### *Comments & Recommendations*

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#### Road Work

Work completed by the Road Commission for Major Streets and Local Streets in 2004 was not properly assessed and allocated to the streets funds according to the work performed. Current year payments to the Road Commission were disbursed from the General Fund, Major Streets Fund and Local Streets Fund in varying amounts. The meeting minutes noted approval of payments to the Road Commission, however they did not indicate from which fund the payments would be disbursed or whether amounts disbursed by other funds on the Local Streets Fund behalf were to be repaid. During the current fiscal year, it appears \$7,594 and \$434 was paid by the General Fund and Major Streets Fund respectively to the Road Commission on the Local Streets Fund's behalf. The Clerk indicated these amounts should be treated as transfers with no expectation of repayment. In the future, we recommend the meeting minutes clearly reflect the purpose and amount of transfers between funds and the transactions are properly recorded.

#### Closing Comments

These comments and recommendations are intended for the information and use of the Village Council and Elected Officials of the Village of Copemish and the Michigan Department of Treasury Local Audit Division, and are not intended to be and should not be used by anyone other than those specified parties. We will be happy to discuss any of these recommendations with you and assist you in their implementation. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement.